



Senate

General Assembly

January Session, 2013

File No. 250

Senate Bill No. 1033

Senate, March 28, 2013

The Committee on Labor and Public Employees reported through SEN. OSTEN of the 19th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING STATE EMPLOYEE BENEFITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 5-192q of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2013*):

3 (a) A member of tier II or tier IIA may elect one of the following
4 optional forms for retirement income by filing with the Retirement
5 Commission a written election on a form provided by the commission.
6 A member who has been married at least one year will be presumed to
7 elect the option offered under subdivision (1) of this subsection unless
8 a contrary election is made by the member. All other members will be
9 presumed to elect the option offered under subdivision (4) of this
10 subsection unless a contrary election is made by the member. Any
11 election or change of election must be filed before retirement income
12 payments begin. No option shall be effective until a member has
13 retired, and in the event a member dies prior to the date benefits
14 would have commenced, any election of an option shall be deemed
15 cancelled except as provided in subsection (c) of section 5-192r, as

16 amended by this act. The amount of income that will be paid under the
17 options will be determined by multiplying the retirement income as
18 determined under sections 5-192l to 5-192p, inclusive, as applicable, by
19 the actuarially equivalent option factors last adopted by the Retirement
20 Commission. Such factors shall be identical to those provided under
21 section 5-165 unless the Retirement Commission shall determine
22 otherwise. The factors may be periodically adjusted upward or
23 downward by the Retirement Commission to reflect changing interest,
24 mortality, or election of option patterns, provided that they shall be
25 reviewed and adjusted by January 1, 1985. Any such changes shall
26 apply only to members whose benefits commence after the effective
27 date of adoption of such factors. The retirement options are as follows:
28 (1) A reduced amount payable to the member for his lifetime, with the
29 provision that after his death his spouse, if surviving, shall be entitled
30 to receive a lifetime income equal to fifty per cent of the reduced
31 monthly amount payable to the member; (2) a reduced amount
32 payable to the member for his lifetime, with the provision that after his
33 death, his contingent annuitant shall be entitled to receive a lifetime
34 income equal to either fifty or one hundred per cent of the reduced
35 amount payable to the member; (3) a reduced amount payable to the
36 member for his lifetime, with the provision that if he shall die within
37 either a ten or twenty-year period following the date his retirement
38 income commences, whichever is selected by the member, the reduced
39 amount continues to his contingent annuitant for the balance of the ten
40 or twenty-year period, respectively; or (4) an amount payable to the
41 member for his lifetime, with no payments continuing after the
42 member's death.

43 (b) Notwithstanding the provisions of subsection (a) of this section,
44 a temporary minimum shall apply whenever the Retirement
45 Commission adopts revised factors which could result in a smaller
46 benefit to a member than would have been payable under the
47 previously existing factors. Such minimum shall be determined as
48 follows: (1) The benefit the member had earned as of the date of the
49 change in factors shall be calculated, based on his final average
50 earnings and credited service or based on his vesting service as of that

51 date; (2) any early retirement reduction in such benefit shall be based
52 upon his age as determined on the date benefits will commence, and
53 his type of retirement; and (3) the option factor shall be determined
54 utilizing the factors in effect prior to such change, but based on
55 appropriate ages as of the date benefits will commence. If such
56 minimum results in a larger benefit, the larger benefit shall be payable.

57 Sec. 2. Section 5-192r of the general statutes is repealed and the
58 following is substituted in lieu thereof (*Effective October 1, 2013*):

59 (a) If a member of tier II or tier IIA who is continuing to earn vesting
60 service or who is on a leave authorized by the state or otherwise
61 granted pursuant to the terms of the appropriate collective bargaining
62 agreement, dies after either (1) completion of the age and service
63 requirements for retirement under section 5-192l, 5-192m or 5-192n, or
64 (2) completion of twenty-five years of vesting service, his spouse,
65 provided they have been lawfully married for at least the twelve
66 months preceding his death, shall receive a lifetime income in an
67 amount equal to [fifty] one hundred per cent of the retirement income
68 that the member would have been entitled to if he had retired the day
69 he died, and had his benefit been paid under the option specified in
70 subdivision [(1)] (2) of subsection (a) of section 5-192q, as amended by
71 this act. If such member was not eligible to retire at the time of his
72 death, such benefit shall be calculated as if he had reached age fifty-
73 five, but based on his credited service and final average earnings at his
74 date of death. The first payment shall be made as of the first day of the
75 month coincident with or, otherwise, next following his date of death.

76 (b) If a member who has either terminated with at least twenty-five
77 years of service or retired pursuant to section 5-192l, 5-192m or 5-192n,
78 but whose benefits in either event are being deferred, dies prior to the
79 commencement date of his benefits, his spouse, provided they have
80 been lawfully married for at least the twelve months preceding his
81 death, shall receive a lifetime income equal to [fifty] one hundred per
82 cent of the retirement income that the member would have been
83 entitled to if his benefits had commenced the day he died, with such

84 benefits being paid under the option specified in subdivision [(1)] (2)
85 of subsection (a) of section 5-192q, as amended by this act. If such
86 member had not reached age fifty-five at the date of his death, such
87 benefit shall be calculated as if he had reached age fifty-five. The first
88 payment shall be made as of the first day of the month coincident with
89 or, otherwise, next following his date of death.

90 (c) If a member who has completed the age and service
91 requirements for retirement under section 5-192l, 5-192m or 5-192n and
92 who has elected to receive his retirement benefits under subdivision (2)
93 or (3) of subsection (a) of section 5-192q, as amended by this act, dies
94 prior to the effective date of commencement of benefits but within
95 ninety days after he first elects to receive his retirement benefits under
96 either of said subdivisions, then his beneficiary or contingent annuitant
97 shall receive an income in an amount equal to the benefit that would
98 have been payable to the survivor had the member retired the day he
99 died and had his benefit been paid under the option he had elected at
100 the time of his death. This subsection shall not apply after ninety days
101 after the date the member first elects to receive his benefit under either
102 of said subdivisions. In the event that income payments to a surviving
103 beneficiary or contingent annuitant are payable under this subsection,
104 such payments shall be in lieu of payments under subsections (a) and
105 (b) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2013	5-192q
Sec. 2	October 1, 2013	5-192r

LAB *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None; Potential Out Years Cost

Municipal Impact: None

Explanation

The bill does not result in a fiscal impact to the state in FY 14 and FY 15 as current pension benefits are governed by a collective bargaining agreement between the state and the State Employee Bargaining Agency Coalition (SEBAC) which is in effect until 2022.

The bill codifies a provision of the state employee union pension agreement to include Tier IIA with Tier II in statute which does not result in a fiscal impact.

The Out Years

The bill may result in a cost to the state in 2022 when the current collective bargaining agreement governing pensions expires if the provision is adopted in an agreement between the state and SEBAC. The cost will depend on various factors including but not limited to: 1) the mortality rate of eligible employees and 2) their age, service and salary at the time of death.

If the provision is included in a collective bargaining agreement the fiscal impact will be realized in the state's annual required contribution as determined by the State Employee's Retirement System's (SERS) actuaries and will be reflected in the SERS actuarial valuation.¹ If the

¹ SERS valuations are completed every two years. The most recent valuation was completed as of June 30, 2012. If the current pattern continues a valuation is anticipated as of June 30, 2022.

provision is not agreed to between the state and SEBAC no fiscal impact is anticipated as collective bargaining agreement provisions supersede statute when there are conflicts (CGS Sec. 5-278(e)).

OLR Bill Analysis**SB 1033*****AN ACT CONCERNING STATE EMPLOYEE BENEFITS.*****SUMMARY:**

This bill increases the pension benefit for a surviving spouse of a Tier II and IIA employee who (1) dies while still employed by the state or on an authorized leave and (2) has at least 25 years of state service or meets other existing retirement eligibility age and service requirements. It doubles the benefit from 50% of what the retiree's benefit would be to 100% of the benefit.

State employee retirement benefits are exclusively subject to collective bargaining. Therefore, it appears the bill would not have any effect until the current retirement agreement expires in 2022.

The bill codifies a provision of the state employee union pension agreement to include Tier IIA with Tier II in the statutes. Currently, the statutes do not refer to Tier IIA.

EFFECTIVE DATE: October 1, 2013

PRERETIRMENT DEATH BENEFITS FOR SURVIVING SPOUSES

The bill increases the preretirement death benefits for a surviving spouse of a Tier II and IIA employee who dies while employed by the state or on an authorized leave and has at least 25 years of state service or meets other existing retirement eligibility (normal, early, or hazardous duty) age and service requirements. It increases the benefit from what is known as "50% spouse" to "100% spouse."

The 50% spouse benefit means the surviving spouse receives 50% of what would be the retiree's annual benefit. The 100% spouse benefit, means the surviving spouse receives 100% of the retiree's benefit. By

law, the couple must have been married for at least one year before the employee's death.

The bill makes the same change for any former state employee who qualifies for retirement benefits but opted to defer his or her benefit starting date. In these cases, the surviving spouse would also receive 100% of the benefit rather than 50%.

State employees are required to choose from a menu of retirement benefit options when they retire. Those who leave state service with enough service for a retirement benefit can choose to defer the starting date of the benefit. The bill applies to those who have not chosen a benefit option.

In addition to 50% spouse and 100% spouse benefits, the other options are: (1) 50% or 100% benefit to a selected beneficiary who is not the retiree's spouse; (2) definite payments over a 10- or 20- year period, chosen by the retiree, with any remaining benefits going to a designated beneficiary if the retiree dies before all the payments are made; and (3) full benefit payable to the retiree with no payments continuing after the retiree's death.

RETIREMENT TIERS AND COLLECTIVE BARGAINING

There are four "tiers" of state employee retirement: Tier I, Tier II, Tier IIA, and Tier III. Each tier is tied to (1) different dates when employees begin working and (2) the different benefits and service requirements (see BACKGROUND).

Tiers I and II exist in statute and Tiers IIA and III exist only in collective bargaining agreements between the state and the employees' union coalition known as SEBAC (State Employees Bargaining Agents' Coalition). Under state law, when law and a state employee union contract conflict on matters that are the subject of collective bargaining, the union contract prevails (CGS § 5-278(e)). Since SEBAC does not provide the enhanced surviving spouse benefit provided under the bill, the bill's provisions apparently would not take effect until after 2022 (when the current SEBAC agreement expires) and therefore

would not conflict with the agreement.

BACKGROUND

State Employee Retirement Tiers

Table 1 below shows the state employee retirement tiers and their employment date and service requirements.

Table 1: State Employee Retirement Tiers

	<i>Tier I</i>	<i>Tier II</i>	<i>Tier IIA</i>	<i>Tier III</i>
Dates of Employment	Started before July 1, 1984	Started on or after July 1, 1984 to June 30, 1997	Started on or after July 1, 1997 to June 30, 2011	Started on or after July 1, 2011
Early Retirement	Age 55 with at least 10 years of state service			Age 58 with at least 10 years of state service
Normal Retirement	Age 55 with at least 25 years of service or age 65 with 10 years	Age 60 with at least 25 years of service or age 62 with 10 years		Age 63 with at least 25 years of service or age 65 with 10 years
Hazardous Duty	20 years of service regardless of age			20 years of service and age 50 or 25 years of service regardless of age

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 10 Nay 1 (03/13/2013)